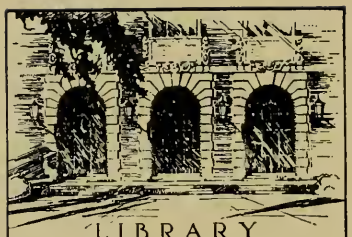

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FURTHER REMARKS

ON THE

Reports

OF THE

COMMITTEES ON THE CURRENCY.

BY THE

AUTHOR OF "A FEW REMARKS," &c. &c.

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FURTHER REMARKS,

&c. &c.

THE Committees have founded the reasoning in their Report, and the Plan which they propose, upon the idea that Gold Bullion and Gold Coin are exactly the same, and that they are jointly the foundation of value; or in other words, that Gold is the standard of value,—the article by which the value of all other articles must be compared. This doctrine has long been supported by several of the leading Members of both Committees, in their speeches, and by some of them in their writings;* while it has been as strenuously opposed by others of the Members, and still more so by writers out of the House. It might, therefore, have been expected that the Committees would have thought it but a proper deference to the public opinion, to have investigated this doctrine; to have examined the reasonings which had been stated, both for and against it; to have listened to every new argument that might have been brought forward; to have weighed the whole coolly, and to have then given the pre-

* These Works were re-advertised during the sitting of the Committees.

ference to that system which appeared to be supported by the most correct reasoning and the strongest evidence. Had they done this, they would have served their country most essentially, as they would have set at rest a question which has agitated it considerably above a century; and had they then decided in favour of *Gold Bullion being really the standard of value*, as they would have given "the reason of the faith that was in them," the public would have been satisfied. Nothing of this kind, however, has been done: the Committees commence their Report by talking of "the removal of the restriction upon cash payments by the Bank, *or*, *in other words*, the "restoration of the currency of the country to a "state of regulation *by its ancient metallic* "standard," as synonymous terms, as things exactly the same; as if the existence of an ancient metallic standard was generally acknowledged and allowed, and had never been disputed nor doubted. Those Members, who had upon a former occasion so successfully combated the idea of "an ancient invariable metallic standard," must have forgot the arguments they then used; and the advocates for this standard must have overlooked the numerous works written against it, before they could have joined in giving a Report founded upon this doctrine as an incontrovertible axiom, as one of the undisputed points of political economy. The public, however, have forgotten neither of these circumstances; and they look in vain for arguments, either in the Report,

or evidenceto support this doctrine, or proofs in the tables to show its correctness.

It would be impossible to go at large into all the arguments and reasonings that have been stated against this doctrine of a metallic standard; but the following is a brief recapitulation of them.

It has been argued, that neither Gold nor Silver can possibly be an invariable standard of value, because they are merely articles of merchandise, which rise or fall in value themselves, according to the quantity at market, or the demand: that their value is always determined by another standard, the Committees themselves talking of the high and low *price* of Gold: that there is an essential difference between Bullion and Coins, because Coins are issued by the Crown, and are ordered to pass at all times at a certain and fixed value, which value they continue to represent as long as they circulate in the country, without any reference to the market price of Bullion: that this has been allowed by some of those very writers who argue that Bullion and Coin are the same.* That these regulations are a strong proof that Bullion is not the standard; for, if it were, it would have been perfectly unnecessary for the government of a country, when it issued Coins, to fix any value upon them: it had only to state the quantity of Gold

* "Our Coin is depreciated as *currency* to a level with the paper with which it circulates."—"*The Question," by W. Huskisson, Esq.* p. 100.

in the Coin, and its value would be apparent. Instead of this, however, it has been the invariable practice in all countries to fix a certain value upon the Coins, at which they were always to circulate within the country where they have been issued; and as a proof of this, it has been stated, that when Coins are carried unto another country, they no longer pass at a fixed value, but are generally sold as Bullion, according to the price of Bullion in the country they are carried to, which is notorious and well known. It has been asserted, that there being in nature no fixed point by which value can be ascertained, recourse has been had to an artificial one; indeed, value itself being artificial, it can only be measured by an artificial or assumed standard; and that in every country such a standard is to be found under the title of money of account; and this is allowed even by the advocates for the present doctrine;* and the Coins in a country always pass according to a certain and fixed proportion of that money of account, their very character as Coins depending upon this. That these Coins are certainly measures or representatives of

* "Some ascertained value *is assumed as a given quantity*, and with this all other values are compared."—*Edin. Review for Oct.* 1808, p. 47.

"For it has been uniformly held, that in fixing a standard of value, the Crown alone adjusts a portion of metal of given weight and purity to a certain denomination *in the scale of money of account.*"—*Further Considerations by the Earl of Lauderdale*, p. 15.

value, but only according to that proportion of the money of account which they represent, and not as articles of value themselves, or according to the value of the Bullion in them. That Bank-notes are issued to represent, in the same manner, a certain proportion of the money of account, not to represent Coins, and far less Bullion, with which they have no connection whatever, &c. &c.

In reply, it has been stated, that all these are merely metaphysical subtleties, distinctions without a difference, and theoretical speculations. It will, therefore, be necessary to examine this doctrine of a metallic standard, and the consequences deduced from it, by facts, and these shall be taken from the evidence given before the Committees.

The doctrine is, that Gold being the standard of value in this country, and a certain rate having been fixed at the Mint as the value of Gold, the value of all other articles in the country rise or fall as the price of Gold rises or falls above this Mint-rate; and Bank-notes, being issued to represent Gold at this Mint-rate, *whenever* they do not, it must be concluded that they are depreciated by an over-issue; and, therefore, by reducing their *circulation the Bank can at all times reduce* the price of Gold even below the Mint-regulation. Now the idea of an *invariable metallic standard*, the price of which is regulated by a Mint-rate, and the rise and fall in the value of which depends upon an under or over issue of Bank-notes, appears so very extraordinary,

to use no harsher phrase, that the questions naturally occur, has any proof been given of the existence of such a standard, of any of its boasted effects on commodities, or of the effects of an over or under issue of Bank-notes upon it? None whatever;—all these points have been assumed as facts well known and incontrovertible. The first has, as already stated, been acted upon by the Committees as if it were a truism; the other two have been quoted, by some of the parties examined, as equally undoubted facts, and as what *had* taken place, not merely what *would* take place. It might have been expected, therefore, that the Committees would have examined whether such things really had happened; whether such consequences really did take place; whether, when the price of Gold rose, the price of all other commodities rose also, and *vice versâ;* whether there appeared any sympathy or connexion between the price of Gold and the number of Bank-notes in circulation. All this might easily have been done: it was only causing a table to be constructed from the materials before them, which would have shown both these points at one view; and had it been satisfactory, it would have set the matter at rest completely. Nothing of this kind having been done, to remedy the omission, a Table, hastily constructed from those given by the Committee, will be found attached to this. In it are given, — first, the average number of Bank-notes in circulation for every six months, from 1813; then,

the average price of Gold and the price of some of the principal staple articles of merchandise during the same period. A very slight examination of the Table will serve to convince any unprejudiced person that there appears to be no connexion whatever between the number of Bank-notes in circulation and the price of Gold, and as little between that and the price of other commodities. For instance, in the first six months of 1813, the average number of Bank-notes in circulation was 23,939,600, and the average price of Gold was £5 : 1 : 8; the next half year the amount was 24,107,400, not 200,000 more, and the price of Gold was £5 : 8 : 9, while, in 1817, it was 27,339,200 the first, and 29,210,000 the second, and the price of Gold was only £4. In the first half of 1814, the amount of Notes was 25,511,000 and the price of Gold was £5 : 4; while in the second, the amount was 28,291,000, and the price only £4 : 7 : 4. In a comparison of the price of Gold with that of other commodities, as little connection will be found.

It is possible that all this may be evaded, by stating that other circumstances have an effect on the price both of Gold and commodities. But, in the first place, this is perfectly contradictory to the theory given; and,

In the second, how or in what way are the Bank to distinguish whether it is the amount of Bank-notes in circulation, or those other circumstances that are acting upon the Gold and other

commodities? The rule given is perfectly imperative: *let them reduce their Notes, and the price of Gold and commodities will fall.* Now, it appears extremely probable, that the Bank may act upon this rule, when it will have no effect upon the price of Gold, but a very serious one upon the trade and commerce of the country; of this proof will be given, taken from their own evidence.

Having thus examined facts, let a glance be given to the evidence before the Committees on this head. Mr. Ricardo has the credit of being the first suggester of this plan; and, therefore, it might be expected he would be most *au fait* to its effects and operations. In the work which he published three years ago on the subject, Mr. R. asserts, without any reservation or exception, that the Bank have at all times the power of raising or lowering the price of Gold, merely by increasing or diminishing the amount of their Notes in circulation. He then gave no evidence or fact to prove this assertion; his mere *ipse dixit* he deemed sufficient. He has repeated this assertion, before the Committee, in the same dogmatical style. When asked, at the 32d question of his first examination,* "What security is there "that the Bank would *always* be able to pur- "chase Bullion at that rate, and therefore would "*always* be able, by the Notes issued for such "purchases, to keep up a sufficiency of circu- "lating medium?" he replied, "*I am of opinion* "*that the Bank, by regulating the quantity of*

* Before the Lords' Committee.

" *their paper, would either lower the price of* " *Bullion to* £3 : 17 : 6*; that is, to one of the* " *limits mentioned, or raise it to the other limit* " *of* £3 : 17 : 10½." In making this unqualified assertion, he seems completely to have forgotten what he had admitted in the commencement of that very examination. The 6th question put to him was, " What do you mean by " commercial causes operating on the value of " the currency?" and his reply was, " The quan- " tity of currency required to circulate commo- " dities must depend on the value of that cur- " rency; if, therefore, any cause should operate " to raise the value of Gold generally in the " world, a less quantity of Gold would be ne- " cessary for the circulation of the same quan- " tity of commodities in England; and, under " such circumstances, a greater reduction than " 4 per cent. on the quantity of paper would " be necessary; an extension of trade, also, or " an increase of capital may make a greater " quantity of currency necessary at one period " than at another, and might, therefore, diminish " the proportion necessary to be reduced."

He is then asked, question 7th, " Are you " aware that there was a reduction of Bank- " notes in circulation during the course of 1818, " to the amount of three millions, without any " apparent proportionate increase in the course " of that year of the country paper? how do " you account, under these circumstances, for the " exchanges being *more unfavourable*, and the

" price of Gold *higher*, at the end of 1818 than " at the beginning of that year?" And he replies; " FACTS OF THIS KIND I FIND IT VERY " DIFFICULT TO ACCOUNT FOR; BUT I SHOULD " THINK IT MIGHT HAVE BEEN OWING TO THE " DIMINISHED TRADE, AND TO A RISE IN THE " VALUE OF BULLION IN THE WORLD." His next reply is however still more extraordinary.

He is asked, 8th question, " Might it not, in " a considerable degree, be accounted for by the " operations going on in the money markets on " the Continent, and more particularly those at " Paris and Petersburgh, towards the close of " last year?"

Answer,—" *Not unless these operations had a* " *tendency to* INCREASE *the general value of* " *Bullion, which might be affected by a* REDUC- " TION *of the paper circulation of the Continent,* " *and by the substitution of Gold and Silver* " *coin.*" From this, it appears to be Mr. Ricardo's opinion, that a reduction of the paper circulation *on the Continent* will have a tendency *to increase* the value of Bullion, although the same operation in this country will most decidedly lower it.

There must have existed a very strong predisposition towards this doctrine in the minds of a majority of the Committee, or else they never could have adopted it upon the mere assertions of this gentleman. He is requested to state his plan; which he does. He is then questioned as to its consequences: he gives his opinion; for it

is only opinion; it is supported by no reasoning, by no argument, by no evidence, by no facts; on the contrary, it is completely contradicted by facts brought forward by the Committees themselves: and yet, without any further examination, without any further investigation, the Committees adopt this plan, and recommend it to the Legislature to be put in practice; and that not provisionally, or under certain circumstances only, but positively. The recommendation is, "that "the Bank *shall*, on the 1st December next, or "at furthest on the 1st February, be required "to give Bullion for their Notes."

The Committees appear completely to have overlooked the possibility of a recurrence of some of the events that had previously operated against the Bank resuming cash-payments, as stated by themselves, viz. Fresh operations in the money-markets on the Continent, a rise in the general value of Bullion, or a diminished trade; to which may be added, the still stronger events of a bad harvest or fresh disturbances breaking out in some quarter of the globe. All these, it would appear, they conceived would be overcome by the *power* the Bank possesses *of reducing the price of Gold by lessening the issues of its Notes.*

The Committees have therefore evidently recommended the adoption of a Plan founded upon a theory which they themselves had adopted without any examination, and of the correctness of which they have not deemed it necessary to give the slightest proof. How far this theory is

deserving of such unlimited confidence, the few following observations will serve to show.

In the first place, although neither in the Report, the Evidence, nor Appendixes, are any proofs of its correctness to be found, yet very strong proofs to the contrary abound in all three, as has already been pointed out.

In the second, the theory states, that a reduction in the issue of Bank-notes will reduce the price of Gold, and a reduction of the price of Gold will immediately proportionably reduce the price of all commodities in the country; consequently a reduction in Bank-notes will reduce the price of *all* articles of value in the country, without exception. The number of Bank-notes at present in circulation is about twenty-five millions; 4 per cent. on that is one million. The reduction of one million, therefore, will have the effect, it seems, of reducing the value of all articles in the country 4 per cent. Now, the whole property of every kind in the country has been estimated as high as 2736 millions; taking it at rather above one half of that, say 1500 millions, 4 per cent. upon that will be sixty millions, which the property of the country will be deteriorated by withdrawing one million of Bank-notes from circulation; and every additional million withdrawn will operate to the same extent. This leads to the last point, which is—

It is positively asserted, that the Bank have the power, by diminishing their circulation, not only of lowering the price of Gold until it reaches the Mint-rate, but even below that; and this

is so much dreaded, that, it is stipulated that the Bank shall be obliged to purchase Gold at all times, at £3 : 17 : 6, to prevent its fall below that rate. Now, although the possibility of Bank-notes, by an over issue, becoming of less value than Gold at the Mint-rate, or rather than the current coin of the realm, may be allowed, the idea that by a mere contraction of their issue, their value will be increased above that of the current coin of the realm, or of Gold at the Mint-rate, is so monstrous, that it is astonishing how it ever could have entered the head of a rational being at all acquainted with the subject. The extent to which this argument might have been carried, appears to have been overlooked. No period is fixed for this influence of Bank-notes on Gold to cease. If, therefore, the Bank, by lessening the amount of Notes in circulation to one extent, could lower the price of Gold to £3 : 17 : 6, then a further reduction might bring it to £3 : 15 ; another to £3 : 10 ; until at last, the Bank having no Notes in circulation, the price of Gold, and of all other articles in the country, would be *nothing*

Such is the theory upon which is founded a Plan for the regulation of the greatest money dealings in the world. It is trusted, however, that there are too many cool-headed, unbiassed, unprejudiced men in both Houses of Parliament, to allow any dread to be entertained of such an inefficient and ineffectual, if not highly dangerous, measure being adopted.

A Table shewing for every Six Months, since 1813, the average Number of Bank-Notes in circulation, the average Price of Gold, and of sundry Staple Articles of Commerce, in Order to prove that the Number of Bank-Notes in Circulation has no Effect on the Price of Gold, nor the Price of Gold on that of other Commodities.

		Number of Bank-Notes.	Average Price of Standard Gold.	Price of Foreign Gold Coin	English Wheat, per Quarter.	Sugar, Muscovado Jamaica.	Coffee, Jamaica.	WhaleOil Greenlnd, per Ton.	Tallow, Yellow Soap.	Iron Bars.	Meat at Smithfield Market. Beef.	Meat at Smithfield Market. Mutton.
			£ s. d.	£ s. d.	s. s.	s. s.	s. s.	£ £	£ £	£ s. £	s. d. s. d.	s. d. s. d.
1813.	1st Six Months	23,939,693	5 1 8	5 3 8	104 à 130	83 à 92	74 à 85	42 à 43	88 à 90	14 10 à 15	4 8 à 6 0	5 0 à 6 6
	2d „	24,107,445	5 8 9	5 9 3	86 „ 134	93 „ 95	80 „ 88	36 „ —	88 „ —	14 0 „ —	5 0 „ 6 6	6 0 „ 6 6
1814.	1st „	25,511,012	5 4 0	5 7 0	60 „ 80	110 „ 112	95 „ 99	57 „ 58	98 „ —	14 0 „ 15	5 6 „ 7 0	6 0 „ 7 4
	2d „	28,291,832	4 7 4	4 7 9	56 „ 74	92 „ 100	74 „ 80	34 „ —	88 „ —	15 0 „ —	5 4 „ 6 8	5 8 „ 6 8
1815.	1st „	27,155,824	5 2 0	5 2 1	48 „ 72	117 „ 124	91 „ 96	45 „ —	89 „ —	15 0 „ —	4 8 „ 6 4	5 6 „ 7 0
	2d „	26,618,210	4 6 10	4 7 0	56 „ 78	100 „ 106	76 „ 80	38 „ —	68 „ —	14 0 „ 15	4 0 „ 5 0	4 4 „ 5 4
1816.	1st „	26,468,283	4 1 0	4 1 0	50 „ 70	99 „ 102	102 „ 110	35 „ —	59 „ —	13 0 „ 14	4 0 „ 5 4	4 0 „ 5 4
	2d „	26,681,398	3 19 0	3 19 0	60 „ 90	88 „ 95	71 „ 74	27 „ —	52 „ —	10 0 „ 13	4 0 „ 5 4	4 0 „ 5 0
1817.	1st „	27,339,768	3 18 10	3 18 10	90 „ 122	85 „ 93	74 „ 78	36 „ —	54 „ —	9 0 „ 10	3 0 „ 4 4	3 8 „ 4 6
	2d „	29,210,035	4 0 0	4 0 0	80 „ 140	78 „ 80	83 „ 85	27 „ 30	53 „ —	10 0 „ 11	3 8 „ 4 8	3 8 „ 4 8
1818.	1st „	27,954,558	4 1 6	4 1 6	65 „ 103	87 „ 90	91 „ 93	59 „ —	77 „ —	14 0 „ 15	3 4 „ 4 10	3 8 „ 5 6
	2d „	26,487,859	4 1 6	4 1 6	63 „ 90	88 „ 91	133 „ 135	33 „ —	76 „ —	12 0 „ 10	5 0 „ 5 6	5 0 „ 5 6
1819.	January	25,794,460	4 3 0	4 3 0	58 „ 80	86 „ 89	143 „ 146	36 „ 37	78 „ —	12 10 „ 13	3 4 „ 5 0	4 0 „ 6 0
	March		4 1 6	4 1 6	57 „ 82	83 „ 86	126 „ 130	32 „ —	68 „ —	13 0 „ 14	— —	5 6 „ 6 4

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